



STATE OF DELAWARE

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March 13, 2018

TO: The Chair and Members of the Commission

FROM: Joshua Bowman, Public Utility Analyst 

SUBJECT: IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY
FOR AN INCREASE IN ELECTRIC BASE RATES AND MISCELLANEOUS TARIFF
CHANGES (FILED AUGUST 17, 2017) – PSC DOCKET NO. 17-0977

Application:

On August 17, 2017, Delmarva Power & Light Company (“Delmarva” or the “Company”) filed an application (“Application”) seeking approval of an increase in its electric base rates and miscellaneous changes to its electric tariff. The total amount of the increase in annual operating revenues requested by Delmarva was approximately \$24,425,436 or 4.5% over total revenues (See Application ¶ 7). Pursuant to 26 *Del. C.* §306(c) the Company included in its Application a request for authorization to collect temporary rates beginning October 16, 2017 (See Application ¶ 12). The Company’s request to collect temporary interim rates in the amount of \$2,500,000 was subsequently granted by the Commission in Order No. 9108 dated August 22, 2017.¹

On October 18, 2017, Delmarva filed the “Supplemental Testimony of Witness Ziminsky and McEvoy with Update to Actuals” increasing the Company’s revenue request by \$6,772,989 to \$31,198,425. In Order No. 9141, the Commission limited the amount of revenue increase Delmarva was entitled to put into effect under 26 *Del. C.* §306(b) to no more than \$24,425,436, the original requested increase.

On February 9, 2018, Delmarva filed its “Additional Supplemental Testimony of Witnesses Ziminsky, McEvoy, Tanos, and Santacecilla to Reflect the Impact of the Tax Cuts and Job Act of 2017” reducing its revenue increase request by \$18,594,630 to \$12,603,795.

¹ PSC Order No. 9108 also granted Delmarva’s request to consider and approve the Company’s current financial condition and credit worthiness as a satisfactory and sufficient surety to meet the bond requirements of 26 *Del. C.* §306(b) with respect to the interim rates, conditioned on Delmarva’s representation that it will abide by any Commission refund order.

On February 26, 2018, pursuant to 26 *Del. C.* §306(b), Delmarva filed a petition (“Petition”) to implement revised interim rates to collect an additional \$3,300,000 in revenues above the initial level of \$2,500,000 set to be recovered from the implementation of the first interim rate increase that occurred on December 16, 2017. This results in a total annual increase of \$5,800,000. Delmarva did not file a bond with the Petition, as required by 26 *Del. C.* § 306, but stated that consistent with past practice, a rate refund bond will be filed upon Commission approval of rates in whatever manner the Commission may require.

Review and Recommendation:

Under 26 *Del. C.* §306(b), at the expiration of seven (7) months after the filing of an application for a rate increase, a public utility is authorized to implement its proposed rate increase, on a temporary basis and subject to refund, under bond with sureties, so long as the revised interim increase does not exceed 15% of the public utility’s gross intrastate operating revenues.²

Staff has reviewed the proposed revised interim rate calculations, the clean and redlined tariff sheets, and the rate derivation model contained within Delmarva’s Petition and concurs with the Company’s distribution of the revised interim rates which total to approximately \$5.8 million.³ The proposed revised interim rates, which will increase rates across all rate classes, are proposed to be effective with usage on and after March 17, 2018, which is the seven (7) month statutory time window.

Therefore, Staff respectfully recommends that the Commission approve implementation of the Company’s proposed revised interim rates with usage on or after March 17, 2018, subject to refund.

² 26 *Del. C.* §306(b): “Upon termination of the 7 months as set forth in paragraph (a)(1) of this section the proposed rate change shall automatically become effective if the public utility files with the Commission a bond in a reasonable amount approved by the Commission with sureties approved by the Commission, conditioned upon the refund, in a manner to be prescribed by order of the Commission, to the persons entitled thereto of the amount of the excess, if the rate so put into effect is finally determined to be excessive; or there may be substituted for such bond other arrangements satisfactory to the Commission for the protection of the parties interested. In no event shall a public utility put a rate into effect under bond as authorized in this subsection that would constitute an increase in excess of 15 percent of the public utility’s gross intrastate operating revenues.”

³ Per Schedule (MCS-1) of its Application, Delmarva reports total Delaware distribution revenues of \$241,401,091. Hence, Delmarva’s revised interim increase of \$5,800,000 does not exceed 15% of its intrastate distribution revenues.